# Scientex (SCI MK)

## FY25: In Line; Property Launches Picking Up Steam

| | |
|---|---|
| **BUY** (Maintained) | |
| Share Price | RM3.23 |
| Target Price | RM4.03 |
| Upside | +24.6% |

## Highlights

- **FY26 core earnings were in line.** 4Q25 earnings picked sequentially on higher property earnings and better packaging margins.
- **Property segment remained the highlight,** with EBIT picking up 14% off of increased launches in FY25.
- **We trim our FY26/27 forecasts by 2%,** mainly for housekeeping. Maintain BUY with a slightly lower target price of RM4.03.

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### FY25 Results

| Year to 31 Jul (RMm) | 4QFY25 | qoq % chg | yoy % chg | FY25 | yoy % chg |
|---|---|---|---|---|---|
| **Turnover** | **1192.6** | **7.4** | **2.1** | **4,517.7** | **0.9** |
| Manufacturing | 612.5 | (0.4) | (6.0) | 2,483.8 | (4.3) |
| Property | 580.1 | 17.0 | 12.2 | 2,033.9 | 8.1 |
| **EBIT** | **212.4** | **19.7** | **19.9** | **742.1** | **0.8** |
| Manufacturing | 42.2 | 22.3 | (6.7) | 149.8 | (31.3) |
| Property | 170.2 | 19.0 | 29.0 | 592.3 | 14.2 |
| **PBT** | **210.2** | **19.4** | **18.7** | **735.3** | **0.9** |
| **Core net profit** | **132.0** | **1.5** | **(5.9)** | **516.7** | **(5.8)** |
| **Margins** | **(%)** | **+/- ppt** | **+/- ppt** | **(%)** | **+/- ppt** |
| EBIT | 17.8 | 1.8 | 2.6 | 16.4 | (0.0) |
| -Manufacturing | 6.9 | 1.3 | (0.1) | 6.0 | (2.4) |
| -Property | 29.3 | 0.5 | 3.8 | 29.1 | 1.6 |
| PBT | 17.6 | 1.8 | 2.5 | 16.3 | (0.0) |
| Core net profit | 11.1 | (0.6) | (0.9) | 11.4 | (0.8) |

*Source: Scientex, UOB Kay Hian*

## Analysis

- **FY25 results met expectations.** Scientex reported a core net profit of RM516.7m (-5.8% yoy) in FY25. We arrive at this after excluding: a) RM1.1m in forex losses, b) RM0.1 in disposal losses, c) RM4.2m in fair value gains on investment properties and d) RM10.2m in revaluation gains on fixed assets. This met expectations, making up 99% of both our and consensus full-year forecasts. An interim dividend of 6 sen was announced, bringing the total for the year to 12 sen (unchanged yoy).

### Key Financials

| Year to 31 Jul (RMm) | 2,024 | 2,025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 4,479 | 4,518 | 5,033 | 5,303 | 5,475 |
| EBITDA | 872 | 860 | 974 | 1,039 | 1,059 |
| Operating profit | 737 | 742 | 808 | 877 | 901 |
| Net profit (rep./act.) | 545 | 531 | 568 | 618 | 635 |
| Net profit (adj.) | 549 | 517 | 568 | 618 | 635 |
| EPS (sen) | 35.4 | 33.3 | 36.6 | 39.9 | 41.0 |
| PE (x) | 9.1 | 9.6 | 8.8 | 8.1 | 7.8 |
| P/B (x) | 1.3 | 1.2 | 1.1 | 1.0 | 0.9 |
| EV/EBITDA (x) | 6.8 | 8.3 | 7.5 | 7.1 | 7.1 |
| Dividend yield (%) | 3.7 | 3.7 | 3.4 | 3.7 | 3.8 |
| Net margin (%) | 12.2 | 11.7 | 11.3 | 11.7 | 11.6 |
| Net debt/(cash) to equity (%) | 18.0 | 48.4 | 44.1 | 41.9 | 39.7 |
| Interest cover (x) | 38.4 | 38.9 | 25.1 | 26.8 | 27.3 |
| ROE (%) | 16.4 | 14.7 | 15.3 | 15.7 | 15.3 |
| Consensus net profit | - | - | 565 | 614 | 640 |
| UOBKH/Consensus (x) | - | - | 1.0 | 1.0 | 1.0 |

*Source: Scientex, Bloomberg, UOB Kay Hian*

### Stock Data

| | |
|---|---|
| **GICS sector** | **Materials** |
| Bloomberg ticker: | SCI MK |
| Shares issued (m): | 1,556.3 |
| Market cap (RMm): | 5,026.7 |
| Market cap (US$m): | 1,200.3 |
| 3-mth avg daily t'over (US$m): | 0.6 |

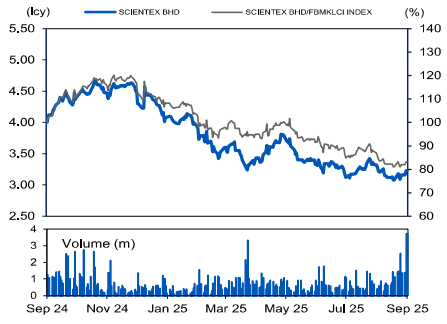
### Price Performance (%)

| 52-week high/low | | | | RM4.66/RM3.08 |
|---|---|---|---|---|
| **1mth** | **3mth** | **6mth** | **1yr** | **YTD** |
| (3.0) | (3.0) | (10.3) | (19.3) | (24.8) |

### Major Shareholders

| | % |
|---|---|
| Scientex Holdings Sdn Bhd | 20.9 |
| Scientex Infinity Sdn Bhd | 11.7 |
| Scientex Leasing Sdn Bhd | 9.1 |

### Price Chart




*Source: Bloomberg*

### Company Description

Scientex is one of the largest industrial packaging companies in the world and a niche property developer in Southern Malaysia.

- **Packaging segment showing some bright spots.** Scientex's packaging segment reported an EBIT of RM42.2m (+22.3% qoq, -6.7% yoy) on revenue of RM612.5m (-0.4% qoq, -6.0% yoy). Despite the minor decline in revenue, earnings improved sequentially as continued cost optimisation resulted in margins expanding 1.3ppt qoq. However, the segment remained pressured by competition from China as additional capacity that had come online in early-FY25 resulted in minor oversupply. Positively, utilisation rate held steady at 60%. However, pressure on ASPs and unfavourable forex have resulted in sustained margin compression which we believe will continue into FY26.
- **Property sales picked up sequentially.** The property segment posted an EBIT of RM170.2m (+19.0% qoq, +29.0% yoy) on revenue of RM580m (+17.0% qoq, +12.2% yoy). Property sales improved sequentially as Scientex launched an additional RM800m in property projects during 4QFY25, bringing the total for the year to RM2.55b (FY24: RM1.8b). Unbilled sales stood at RM2.0b and take-up rates remained resilient at 70%.
- **Bright spots amid mixed outlook.** Looking forward, the outlook for Scientex has diverged significantly between its two segments. On one hand, the plastics segment continues to face intense competition and it may be 1-2 years before the market consolidates to a meaningful degree. On the other, Scientex's higher launch target of RM3.0b in FY26 alongside its uptick in land banking signals better times ahead for the property segment. Overall, we anticipate the property segment remaining the main earnings driver going forward with contributions from the six land bank acquisitions in FY25 expected to kick-in from FY26 onwards.
- However, we do see some bright spots in the packaging segment. Scientex's raw material pricing has come down slightly and savings from the new electricity tariffs as well as the recently-completed solar PV systems at 10 plants have already resulted in margin expansion. Additionally, while supply from China has driven down ASPs, the segment appears to have largely stabilised, which could signal that prices have bottomed out for now.

## Valuation/Recommendation

- **Maintain BUY with a slightly lower target price of RM4.03 (previously RM4.10).** Our target price is based on a FY26F PER of 11x or -1.0SD to its five-year mean. We believe this is justified given the structural challenges faced by the packaging segment at this juncture.
- Despite the somewhat cloudy outlook, we believe value has emerged with current valuations presenting an attractive entry point. Scientex currently trades at -2.0SD to its five-year mean.

## Earnings Revision/Risk

- We trim our FY26/27 forecasts by 2%, largely for housekeeping following the full-year results.

## Environmental, Social, Governance (ESG) Updates

### Environmental

- First plastic film manufacturer in Malaysia to receive the ISCC Plus Certification.
- An 11.1% decrease in groupwide greenhouse gas emissions in FY24.

### Social

- Spent RM5.3m in community investment in response to the COVID-19 pandemic.
- Members of local communities comprise 78% of workforce.

### Governance

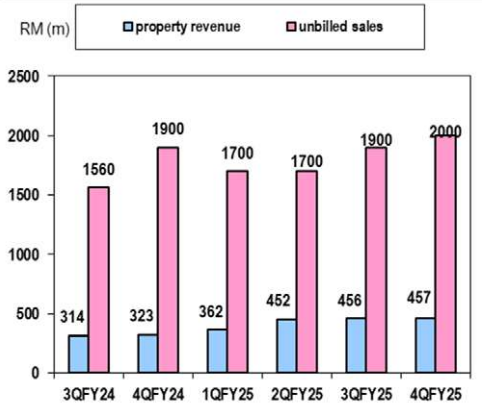
- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

**Key Assumptions**

| | FY25F | FY26F | FY27F |
|---|---|---|---|
| *Manufacturing* | 2436.0 | 2861.2 | 3083.1 |
| *Property* | 1900.0 | 2000.0 | 2100.0 |
| Total Revenue | **4336.0** | **4861.2** | **5183.1** |
| Manufacturing | 126.7 | 171.7 | 215.8 |
| Property | 551.0 | 580.0 | 609.0 |
| EBIT | **677.7** | **751.7** | **824.8** |

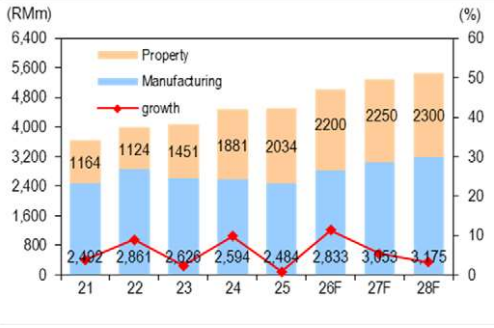
*Source: Bloomberg*

**Property Segment Revenue & Unbilled Sales**



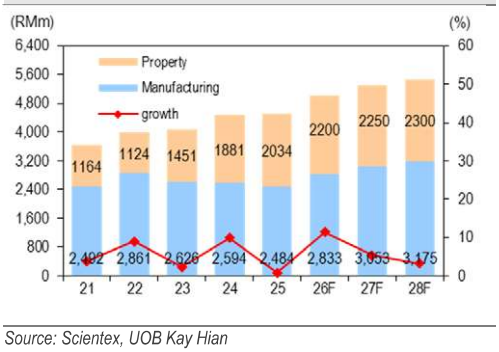

*Source: Scientex, UOB Kay Hian*

**Sales By Segment**




*Source: Scientex, UOB Kay Hian*

**EBIT By Segment**




*Source: Scientex, UOB Kay Hian*

## Profit & Loss

| Year to 31 Jul (RMm) | 2,025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Net turnover** | **4,518** | **5,033** | **5,303** | **5,475** |
| EBITDA | 860 | 974 | 1,039 | 1,059 |
| Deprec. & amort. | 132 | 166 | 162 | 158 |
| EBIT | 742 | 808 | 877 | 901 |
| Associate contributions | 16 | 16 | 16 | 16 |
| Net interest income/(expense) | (22) | (39) | (39) | (39) |
| **Pre-tax profit** | **735** | **785** | **854** | **878** |
| Tax | (170) | (181) | (197) | (202) |
| Minorities | (34) | (37) | (40) | (41) |
| **Net profit** | **531** | **568** | **618** | **635** |
| Net profit (adj.) | 517 | 568 | 618 | 635 |

## Balance Sheet

| Year to 31 Jul (RMm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 1,637 | 2,597 | 2,535 | 2,477 |
| Other LT assets | 3,883 | 4,283 | 4,683 | 5,083 |
| Cash/ST investment | 446 | 446 | 364 | 296 |
| Other current assets | 2,103 | 1,256 | 1,306 | 1,339 |
| **Total assets** | **8,069** | **8,583** | **8,889** | **9,196** |
| ST debt | 1,380 | 1,380 | 1,380 | 1,380 |
| Other current liabilities | 1,083 | 1,163 | 996 | 818 |
| LT debt | 1,060 | 1,060 | 1,060 | 1,060 |
| Other LT liabilities | 161 | 160 | 160 | 160 |
| Shareholders' equity | 4,124 | 4,521 | 4,954 | 5,398 |
| Minority interest | 261 | 298 | 338 | 379 |
| **Total liabilities & equity** | **8,069** | **8,583** | **8,889** | **9,196** |

## Cash Flow

| Year to 31 Jul (RMm) | 2,025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Operating** | **909** | **871** | **803** | **823** |
| Pre-tax profit | 735 | 785 | 854 | 878 |
| Tax | (174) | (181) | (197) | (202) |
| Deprec. & amort. | 170 | 166 | 162 | 158 |
| Working capital changes | 212 | 101 | (17) | (11) |
| Other operating cashflows | (34) | - | - | - |
| **Investing** | **(1,961)** | **(500)** | **(500)** | **(500)** |
| Capex (growth) | (1,976) | (100) | (100) | (100) |
| Investments | - | - | - | - |
| Proceeds from sale of assets | 4 | - | - | - |
| Others | 11 | (400) | (400) | (400) |
| **Financing** | **1,245** | **(370)** | **(385)** | **(390)** |
| Dividend payments | (217) | (170) | (185) | (190) |
| Issue of shares | 22 | - | - | - |
| Proceeds from borrowings | 1,505 | - | - | - |
| Loan repayment | - | (200) | (200) | (200) |
| Others/interest paid | (64) | - | - | - |
| **Net cash inflow (outflow)** | **193** | **1** | **(83)** | **(67)** |
| **Beginning cash & cash equivalent** | **252** | **446** | **446** | **364** |
| Changes due to forex impact | - | - | - | - |
| **Ending cash & cash equivalent** | **446** | **446** | **364** | **296** |

## Key Metrics

| Year to 31 Jul (%) | 2,025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Profitability** | | | | |
| EBITDA margin | 19.3 | 19.3 | 19.6 | 19.3 |
| Pre-tax margin | 16.3 | 15.6 | 16.1 | 16.0 |
| Net margin | 11.7 | 11.3 | 11.7 | 11.6 |
| ROA | 8.1 | 8.3 | 8.8 | 8.9 |
| ROE | 14.7 | 15.3 | 15.7 | 15.3 |
| | | | | |
| **Growth** | | | | |
| Turnover | 23.6 | 37.7 | 45.1 | 49.8 |
| EBITDA | 45.7 | 62.4 | 73.3 | 76.6 |
| Pre-tax profit | 50.0 | 60.1 | 74.3 | 79.1 |
| Net profit | 53.2 | 63.9 | 78.4 | 83.2 |
| Net profit (adj.) | 53.2 | 63.9 | 78.4 | 83.2 |
| EPS | 48.9 | 63.6 | 78.1 | 82.9 |
| | | | | |
| **Leverage** | | | | |
| Debt to total capital | 55.6 | 50.6 | 46.1 | 42.2 |
| Debt to equity | 59.2 | 54.0 | 49.3 | 45.2 |
| Net debt/(cash) to equity | 48.4 | 44.1 | 41.9 | 39.7 |
| Interest cover (x) | 38.9 | 25.1 | 26.8 | 27.3 |

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